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DIRECTORATE FOR RESEARCH

RESEARCH MEMORANDUM

ALLIED VIEWS ON BURDEN-SHARING: CALCULATING
"FAIR SHARE" (U)

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(C/NF) The non-U.S. NATO Allies believe burden-sharing is a broad concept which encompasses all facets of the allied security relationship. They argue that any accurate assessment of their overall burden-sharing effort should include a balanced combination of quantifiable factors, such as annual defense outlays, and less quantifiable factors, such as host-nation support or involvement in initiatives outside of NATO. They believe that while it is extremely difficult to quantify these intangible factors, their value in financial, political, and military terms is equally significant.

(C/NF) Overall, the NATO Allies will continue to react negatively to the emphasis placed by the United States, particularly Congress, on defense spending performance. They believe that calls for increased Allied defense spending are inconsistent with U.S. reductions in its own defense allocations. While, as a group, they agree that the NATO Alliance can afford to shoulder a larger defense burden, most individual governments are reluctant or unwilling to do so for political reasons. Instead, they emphasize their overall commitment and willingness to contribute to the common defense through the less quantifiable measures of the burden-sharing equation.

The Most Widely Used Quantifiable Measure: Allied Defense Spending

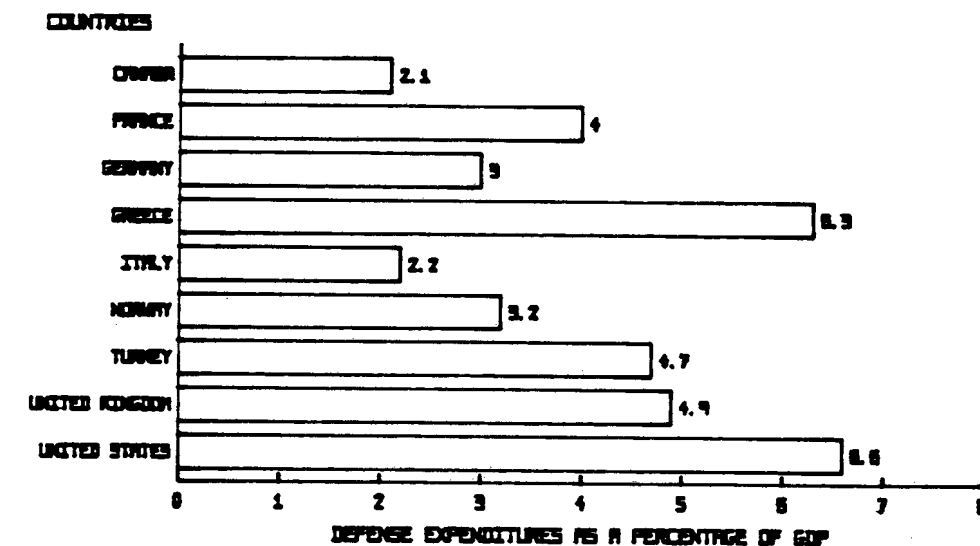
(C/NF) Annual defense outlays and defense spending as a percentage of national income continue to be the most widely used quantifiable measures of defense burden-sharing. The NATO Allies continue to believe they contribute significantly in this respect, especially when their relative respective sizes and resources are considered. However, they believe these financial contributions are often underestimated, since support for programs, such as some costs involved with host-nation support as well as security assistance, are not included under NATO's definition of defense spending. For example, West Germany claims that when defense-related expenditures, such as economic assistance to Berlin, support for the Berlin garrisons, real estate for forward-deployed forces, and security assistance are added to overall West German defense spending, the contribution increases substantially, giving a more accurate picture of the total defense burden. Other countries, primarily

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Turkey and Greece, have relatively poor economies and low standards of living, yet devote a relatively high proportion of national income to defense. The Allies that draft personnel into their militaries (which include all of the NATO Allies except Canada, Luxembourg, and the United Kingdom) and pay low conscription wages argue that if their recruits were paid at market rates, their defense expenditures and, thus, their contributions would be considerably higher.

DEFENSE BURDEN: SELECTED NATO COUNTRIES 1987 (U)

1987 FIGURES ESTIMATED

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(C/NF) Some NATO countries, primarily Turkey and Greece, point out that they have relatively poor economies and low standards of living, yet devote a relatively high proportion of national income to defense.

(C/NF) Economic and political constraints have limited the Allies' ability to increase defense spending in recent years. Forecasts project minimal to only moderate economic growth through the early 1990's for allied economies, most of which will continue to suffer from large budget deficits and relatively high unemployment. Additionally, most governments will be reluctant to shift resources away from popular, but expensive, social welfare programs. Public support to increase defense outlays to redress conventional imbalances is lacking--the main opposition parties in the United Kingdom and West Germany, along with other parties in the smaller Allied countries, oppose military

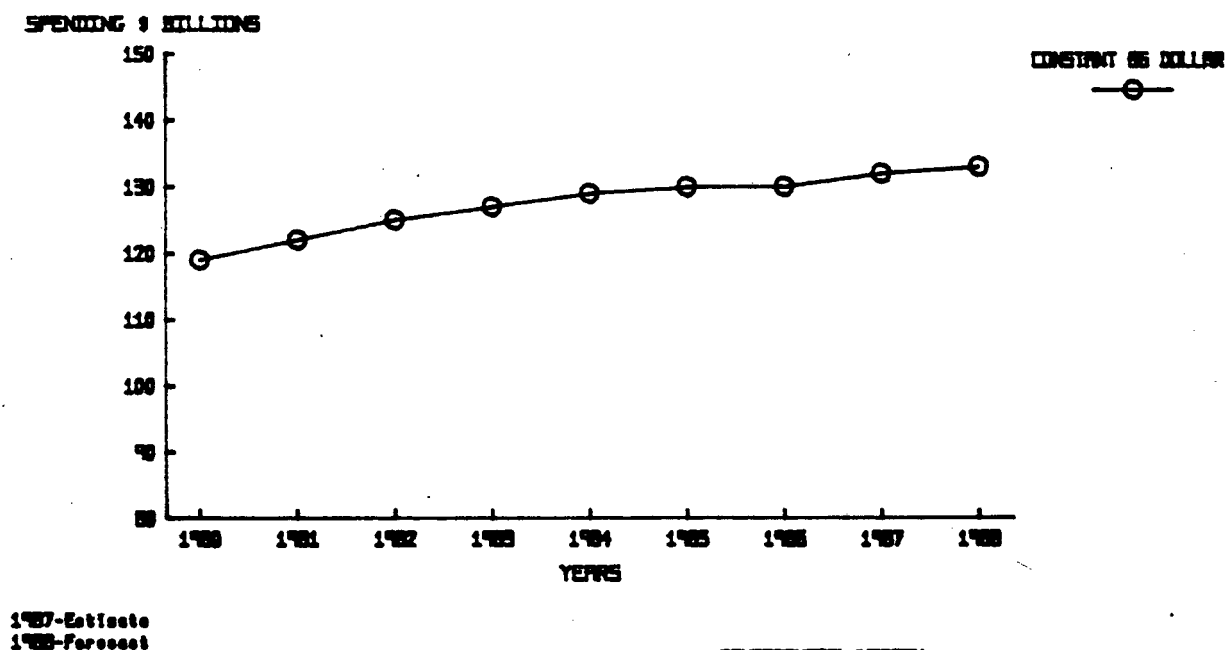
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modernization. Generally, the European public perceives a reduced Soviet threat. While most government officials, particularly those on the conservative side of the political spectrum, are pressing strongly to increase defense outlays, there is little hope such increases will materialize given popular perceptions of the decreased threat.

(C/NF) Overall, Allied defense spending is expected to increase in real terms by only 0.7 percent in 1988 and will continue to experience little growth into the next decade. Most governments will not meet NATO's 3-percent goal. Some have revised their spending targets downward this year. Norway recently revised its spending target of 3-percent annual real growth downward to 2 percent. Canada, Greece, Italy, Luxembourg, Spain, and Turkey are the only NATO Allies who plan to meet NATO's goal during 1988. Most NATO Allies will have difficulty in implementing conventional force improvements in accordance with NATO's Conventional Defense Improvements (CDI) Program. Resources allocated to defense will render the Allies unable to enhance significantly or, in some cases, to maintain their existing military capabilities through the next decade.

NON-US NATO DEFENSE SPENDING CONTINUES TO STAGNATE (U)



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(C/NF) Stagnant or declining resource levels will make it difficult for the NATO Allies to enhance significantly or, in some cases, maintain their overall military capabilities, particularly in the critical area of conventional forces, despite heightened concerns brought about by the INF Treaty and strategic arms negotiations.

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RM-45-88**Less Quantifiable Contributions**

(C/NF) Because the current economic and political climate will restrain defense spending growth, the Allies emphasize their less quantifiable defense contributions, including host-nation support, arms cooperation, security assistance to the Southern Flank, and initiatives outside NATO. They continue to maintain these other indirect contributions compensate for declining real growth in defense spending. They also believe that if these intangibles were measured in dollar terms, the Allied contribution would increase substantially and help to deflect U.S. pressures, particularly from Congress, for increased defense spending.

Host-Nation Support

(C/NF) The Allies believe that both peacetime and wartime host-nation support makes a substantial contribution to the common defense because it reduces the cost to the United States of its forward-deployed combat forces. However, many of these costs, including the use of land and facilities, are not easily quantified and are not reflected in the host country's total defense outlays. In most cases, the host countries allow purchases by NATO forces to be exempt from value-added taxes on petroleum products and construction contracts, and from landing and port fees for aircraft and vessels. In addition, costs for improvements to the domestic infrastructure, such as roads, ports, airports, or railroads, are funded outside of the defense budget. West German officials believe that West Germany merits special recognition because it shoulders the largest host-nation support burden in the Alliance, hosting 400,000 foreign troops.

Security Assistance to the Southern Flank Allies

(C/NF) West Germany contends that its assistance, in particular, is crucial to modernization efforts by Greece, Turkey, and Portugal. Bonn is the only non-U.S. NATO Ally which provides both financial and military materiel assistance to these countries. This assistance is not included under NATO's definition of defense expenditures and is not reflected in West German defense spending statistics. Bonn realizes its assistance is crucial to efforts to improve conventional forces on the Southern Flank and believes it has helped to offset criticism of recent declining U.S. assistance levels to this same region.

Initiatives Outside of NATO

(C/NF) The Allies believe these indirect contributions, including minesweeping operations in the Persian Gulf, participation in U.N.-sponsored peacekeeping efforts worldwide, and official development assistance (ODA), should also be considered benefits to the Alliance, because they fall in line with overall Alliance objectives and contribute to North Atlantic security and regional

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stability. The Allies are careful to ensure, however, that these initiatives support national political and economic concerns as well as their own out-of-area commitments. Some of the smaller Allies, in particular, are careful to ensure that there is either European or international support for such initiatives. For example, Dutch Foreign Minister Van den Broek and former Defense Minister Van Eekelen used the Western European Union (WEU) as a forum to create a rationale for sending minehunters into the Persian Gulf in a joint operation with Belgium. They garnered support among the WEU members to participate directly in defense of freedom of navigation and protection of Western interests.

Allied Arms Cooperation

(C/NF) The Allies believe armaments cooperation is also a means for sharing in the common defense burden. They continue to participate in a variety of cooperative production programs identified under the 1985 Nunn Amendment, including the NATO Frigate Replacement (NFR-90) Program. They believe armaments cooperation enhances NATO's overall military capabilities by promoting compatibility, standardization, and interoperability among systems and equipment in the Alliance. The Allies look to cooperative projects--particularly in weapons research and development--as a way to control costs and improve their national defense industrial bases. Ultimately, however, progress toward Allied armaments cooperation will remain limited by domestic political and economic pressures to protect employment in and development of national defense industries, and to ensure these industries remain competitive in the international market.

Funding the Relocation of the 401st Tactical Fighter Wing: A Unique Case of Allied Burden-sharing

(C/NF) Funding the relocation of the U.S. 401st Tactical Fighter Wing from Spain to Crotona, Italy, from NATO's commonly funded Infrastructure Program represents a good barometer of Allied attitudes toward burden-sharing and may be indicative of the types of commitments the Allies are willing to undertake. While the Allies agree that the 401st is vital to the defense of NATO's southern region, they have yet to decide on the financial arrangements for the estimated \$520-million cost of relocation. Initial Allied concerns and reaction have been mixed regarding funding options. Some Allies support a real increase in the infrastructure budget to accommodate the 401st, while others believe the costs should be borne out of existing finances.

(C/NF) In addition, most of the Allies object to making a financial commitment to allocate infrastructure funds during a 2-year period--most of the construction associated with the relocation will occur during 1991 and 1992--and would prefer to amortize the cost over a longer (perhaps 10-year) term. Allied officials are especially concerned that funding the relocation from infrastructure funds would set a precedent for funding Allied projects

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that do not normally fall under NATO's Infrastructure Program. While funding the 401st is neither a longstanding nor typical burden-sharing issue, it has emerged as a reminder that allied burdensharing efforts encompass different forms which need to be continually addressed.

Outlook

(C/NF) The NATO Allies will continue to believe that the weight and emphasis given to annual defense outlays by the United States, particularly the U.S. Congress, is unfair and that an accurate assessment of Allied overall burden-sharing contributions should be comprised of a more balanced combination of factors. While the Allies generally agree that European economies as a whole can shoulder a greater defense burden, few Allied governments will be willing to increase defense spending, if such increases require higher taxes or reduced social welfare spending. More importantly, the low perception of threat by the general public, fueled by Moscow's efforts to foster a less threatening image in the West, will virtually preclude creation of a consensus to increase defense outlays. Under these circumstances, the Allies will continue to emphasize the intangible contributions of the burden-sharing equation.

(C/NF) Consequently, Allied burden-sharing will remain an important and potentially divisive issue among Alliance members as they strive to adapt to a changing economic, political, and military environment. Most Europeans fear that Washington's efforts to secure a more equitable sharing of the defense burden could be a precursor to a reduction in the U.S. troop presence in Europe. In the post-INF Treaty environment, such an act would, in their view, weaken the U.S. coupling to West European defense, thereby increasing its vulnerability. The extent to which they meet future burden-sharing challenges will remain dependent on a variety of economic, political, and military considerations and concerns unique to each individual NATO country.

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